Integrating Growth and Development- Dreze and sen (Pg. 17 to 24)

Indian growth dipped from 8 to 9% b/n 2005 to 2008 to 6.2% in 2011-12

Indian media was worried about this alarming slowness of Indian growth . Whether to consider this dipping of growth as 'dismal growth' is doubt ful as dismal is a relative concept.

Moderating of Eco. growth has been a spectacular feature of world economy in recent past and India has also not left untouched. but it is also a fact that

1. India remained second fastest in terms of economic growth among all the large economies in the world(approx. equal to Indonesia)
2. India trialed a little behind China (which also experienced the decline)
3. India and Indonesia were followed in growth league by japan, mexico, Russia, and south korea
4. Europe remained at the other end of scale with Us only a little higher
5. brazil, a star performer of its time now fallen to 0.8%

Still we have reasons to be worried about economic growth in India. Even though dismal is hardly an apt description, it is right to think about what can be done to improve India's performance at growth front because economic growth is indeed important, not for itself but for what it allows a country to do with the resources that are generated, expanding both individual income and public revenue that can be used to meet social commitments.

Thus maintaining a high growth is an important object but it is also important to ensure that public revenue generated through eco. growth is used efficiently. Another essential is that growth should be equitable and sustainable.

A Short History of Fast Growth

India grew at 3.5% between 1950s- 1970s,

This 3.5% growth after independence, was a big leap forward for a stagnant colonial economy like India, but was painfully low for the purpose of rapid development and poverty reduction

India grew at 5% in 1980s, gave way to quickening of economy.

Economic reforms led to high economic growth and built a solid foundation for continuing economic growth.

In 1990s – growth increased from 5-6%, then 7% to 9% for years between 2005-08

India clearly made huge progress in terms of eco. growth since 1990, despite the recent slowdown (which still leaves India as second fastest growing large economy in the world)

But need for rapid growth still remains-

- Given its poverty (one of the poorest country in the world)- real income per head still lower than that of most coutries outside sub- Saharan Africa.
- Quality of life of its unprivileged part
- Lack of essential requirements of satisfactory living like health care, decent working conditions, warm clothes in winter

  So growth must translate itself into development of the Indian people.

The Past and The Present

How did India get to be so poor? lets look into its history.

Prosperity of India in the past was described by adam smith (in wealth of nations), Cladius Ptolemy (geographer of 2nd century AD) and Pliny and Elder. all of these praised india's flourishing system of trade and commerce.

At the time of plassey (1757) Bengal was famous for The Industrial exports esp. textiles. even Adam smith recognized it. The competitiveness and quality of Indian exports were the cause of concern for native European manufactures . the British tried many acts to constrain the use of Indian textile products.

What was the living standard of Indian workers at that time. Studies show that wages and prices were indeed higher in india than what were enjoyed by workers in same professions from Europe. Adam smith attributed the beginning of economic decline of the British domain in India to some injudicious restraints imposed by servants of east India company. Decline continued throughout 19th century till first half of the 20th century (along with some positive changes like development of modern press and railways)

Result of this decline was

- Decline of per capita income
- 0.1% between 1900/1 to 1946/7 (S. Siva Subramaniam)
- GDP growth was 0.9% but counter balanced by low population growth rate of 0.8%- reflects high mortality rate.

Growth Since Independence

though 3.5% GR in first 3 decades seemed like a +ve change but economic policies of this time did not succeed in accelerating GRs and in bringing about a major transformation in people's life conditions as rural poverty / poverty in general did not decline in first 3 decades after independence.

This was certainly a failure. so lets look into what went wrong to India in the initial years of planning?

Author claims that there was complete neglect of Primary education. Indian planner argued against regular school at elementary level and favored that basic education system.... which means children should learn through self financing handicrafts (based on Gandhi's pedagogic ideas).

In this respects, Indian planners were at the opposite pole from planners in all the communist / socialistic counties ..... who were committed to ensure free and universal school education without delay.